

# California Legislature

July 19, 2001

The Honorable Gray Davis  
Governor of the State of California  
First Floor, State Capitol  
Sacramento, CA 91814

Dear Governor Davis:

We are writing this letter on behalf of our constituents who have been left severely disadvantaged and, in many cases, debt-ridden as a result of the San Diego rate crisis that began last summer.

As you are aware, when the California Public Utilities Commission (CPUC) determined, in 1999, that San Diego Gas & Electric (SDG&E) paid all of its stranded costs, the statutory frozen rate established by AB 1890 (Chapter 854, Statutes of 1996) was eliminated. The following summer, wholesale electricity prices skyrocketed and, as a result of the rate cap elimination, SDG&E passed those increased costs to its customers.

For many of us who were serving in the Legislature at that time, we witnessed, first hand, the desperation of our constituents. With the passage of AB 265 (Chapter 328, Statutes of 2000), caps were reestablished for some customers (residential, small commercial, street lighting customers, hospitals, schools and other customers under 100 kw capacity). The energy portion for these customers was capped at 6.5 cents per kwh. In passing AB 265, it was our intent to provide protection for the SDG&E customers who did not have co-generation capacity, an existing contract with alternative energy providers, or ability to enter into alternative long-term electricity contracts. Clearly these are not attributes possessed by most small- to medium size businesses.

Due to the passage of SB 43X, the 6.5 cent/kwh cap was applied to every SDG&E customer, effective February 7, 2001. In effect, the hemorrhaging stopped for those small- to medium size businesses inadvertently caught in the category of "large industrial customers". But, for that eight-month period between June 2000 and February 2001, many of these businesses were forced to lay off workers, reduce operating hours, reconsider capital investments, reduce inventory, take out loans to continue operating, or worse, cease operations all together. To this day many of those small businesses, struggling to recover from the financial damage, are saddled with significant debt.

The agreement you reached with SDG&E last month provides welcome relief to small business customers (100kw or less), by eliminating the potential that these customers would be required to pay a \$747 million balloon payment due under the terms of AB 265.



Unfortunately, that agreement provides no relief for small businesses who've used in excess of 100kw capacity. Thus, those small businesses are the only class of California ratepayers who remain liable for the exorbitant wholesale energy costs imposed prior to February 7, 2001.

Your recent efforts to force generators to refund for past overcharges have provided much hope for those businesses that deserve to be made whole. When you speak of Californians being wrongfully charged, a segment of the Orange County and San Diego ratepayers are the only individual ratepayers who can truly say they paid direct wholesale spot market rates. We believe these ratepayers deserve compensation from the refunds being sought from the generators.

We believe the small- to medium sized ratepayers (those whose use exceeded 100kw, but was less than 500kw) in the SDG&E service territory deserve refunds. We are encouraging you to support a process by which these customers are "first in line" to obtain refunds in the event your current efforts to force refunds are successful.

Respectfully,



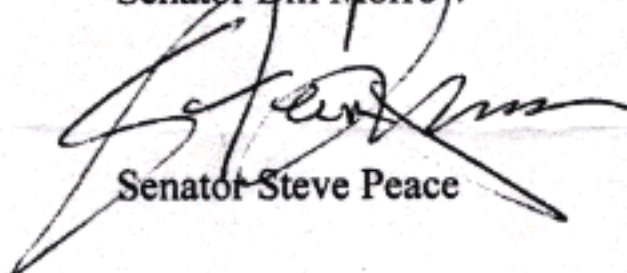
Senator Dede Alpert



Senator Jim Battin




Senator Bill Morrow



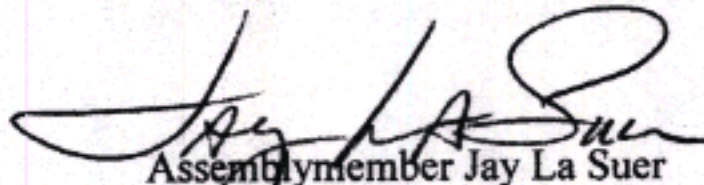
Senator Steve Peace



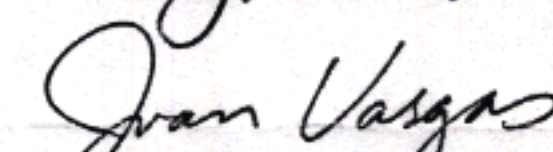
Assemblymember Pat Bates



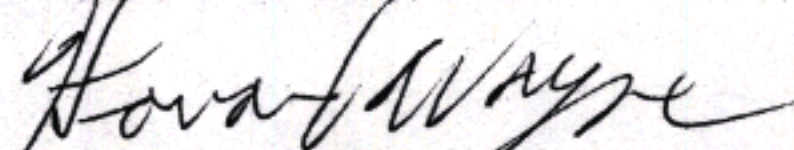
Assemblymember Christine Kehoe



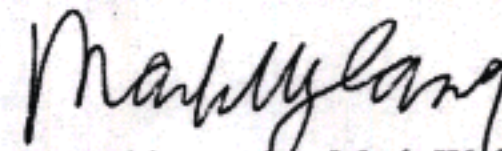
Assemblymember Jay La Suer



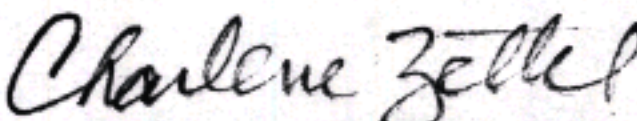
Assemblymember Juan Vargas



Assemblymember Howard Wayne



Assemblymember Mark Wyland



Assemblymember Charlene Zettel